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SUBJECT: BRAZIL: DOC Secretary Gutierrez and MDIC Jorge meeting
October 10, 2007

¶1. (U) SUMMARY: Commerce Secretary Gutierrez and Brazilian Minister of Development, Industry and Trade (MDIC) Miguel Jorge met October 10 in Brasilia to discuss the CEO Forum, trade and investment challenges in Brazil, and specific trade problems encountered by American firms. The meeting was collegial. Both sides were encouraged that ANVISA, the FDA-equivalent Brazilian regulatory agency, had agreed to participate in a Commercial Dialogue working group session for the first time. Jorge committed to ensure Mattel's continuing difficulties with Brazilian customs and un-notified, un-published regulatory standards were addressed. END SUMMARY

¶2. (U) MDIC Minister Jorge genially remarked in opening the meeting how different he found government work from the private sector - "It's been seven months; it feels like seven years!" He commented that the CEO Forum was an important first step to enhance US-Brazil relations, that though there was a long way to go and many important issues to discuss, he hoped the dialogue would eventually lead to increased American trade and investment in Brazil. He noted that Spanish companies had just won six out of seven road construction concessions (a Brazilian company won the seventh), that Spain was the second largest investor (behind Portugal) in Brazil, and that no American companies had wanted to bid for the roads.

¶3. (U) Jorge predicted (though admitted he was optimistic) five percent GDP growth for 2007. He noted 14 consecutive quarters of growth indicated sustainability. Jorge said the rising import level did not worry him since the trade balance was still good (he quoted usd 46 bn) and the import component was mainly capital goods such as machinery and equipment rather than consumer goods. Jorge was pleased Brazilian industry was "using the weak dollar" to invest in capital equipment. He said automotive sector production was up 3 or 4 percent from last year, nominal capacity was currently 3.5 million units and increasing investment would increase capacity over the next five years. Jorge was pleased with rising consumption patterns, claiming that some states' consumption was up sixteen percent over last year, a phenomenon never before seen in Brazil. Jorge noted that a continuing challenge for businesses in Brazil is insufficient supply of workers with technical expertise.

¶4. (U) Secretary Gutierrez asked about "Bolsa Familia," Brazil's social support program. Jorge admitted that, as a non-PT party member and a former private sector leader, he had been very against this program. However, he now saw its benefits - children were staying in school longer, eight million families had been able to "graduate" from the need for public assistance, and the university scholarship element of the program was educating potential contributors to the economy who otherwise would not have had any prospects. Jorge noted that "Bolsa Familia" recipients were concentrated in the Northeast of Brazil and the program would now be expanded to cover assistance to families with children up to age 17, vice 14. He noted there had been elitist objections to the university scholarship program from those who felt the scholarship candidates would take the place of those with more academic merit, but in fact, in fourteen majors, the scholarship recipients had been the top performers.

¶5. (U) Secretary Gutierrez turned to specific trade concerns.

Regarding ATA carnet (for importing trade show samples as well as certain other temporary imports), MDIC staff updated that Receita Federal was sending proposed legislation to facilitate such imports forward to Itamaraty and to Congress. On express delivery, Secretary Gutierrez underlined US concerns with restrictions on

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service and expressed hope that MDIC would continue to support important reforms to this sector. Turning to medical devices, Secretary Gutierrez drew attention to problems with Brazil requiring

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business sensitive information and devising onerous ever-additional requirements. Gutierrez was encouraged that ANVISA had therefore agreed for the first time to come to the Commercial Dialogue to hear business concerns. Jorge was similarly encouraged, believing that ANVISA benefited by "feeling the tenor of the dialogue" and understand better US procedures to ensure health and safety without unnecessarily impeding trade. DOC DAS Walter Bastian offered to follow up if ANVISA would be interested to send representatives to meet with FDA. Secretary Gutierrez suggested we might invite FDA to the next Commercial Dialogue with Brazil. Jorge agreed and suggested NIST and INPI should also participate.

¶6. (U) Secretary Gutierrez raised Mattel's problems. Jorge said the history of problems with Mattel pre-dated his arrival as Minister, but that given the "big headlines" in Brazil, the country had to initiate an investigation on product safety grounds. Currently, the overall pattern of all toy imports from all countries was being analyzed and a report is to be ready in two or three weeks. Jorge said, "We have a problem, because they brought a lawsuit against us." However, he welcomed that Mattel had changed its negotiating approach "to clean the tubes; the tubes were very dirty with us" (note, as in "clear the air"). He specifically welcomed Mattel's hiring a former Brazilian ambassador who is well known and liked to negotiate on Mattel's behalf. Jorge stated, "I was very clear to my people that Mattel should not lose Christmas, since they already lost Children's Day."

¶7. (SBU) COMMENT: Jorge was warm and forthcoming, clearing seeing himself and our Secretary as similarly bringing valuable private

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sector experience into their public roles. The one off-note was Mattel, where, though promising to do the right thing from the business point of view, Jorge made clear he felt the company had burned some bridges in resolving its legitimate issues. END

COMMENT

¶8. (U) Delegation cleared this message.